Table of contents

Acknowledgmentsi				
	Tablesvi			
Exe	Executive summaryxii			
Cha	apters			
1	Recent changes in the Medicare program			
	Factors leading to the Medicare provisions in the Balanced Budget Act4			
	A summary of the Balanced Budget Act and the Balanced Budget Refinement Act			
	Evaluating the impact of the recent changes			
2	Medicare beneficiaries' access to quality health care19			
	Beneficiary characteristics associated with access and satisfaction22			
	Access to care in the traditional Medicare program23			
	Access to care in the Medicare+Choice program30			
	Medigap insurance and access to care			
	Trends in beneficiaries' financial liability over time			
	Need for continued monitoring of beneficiary access to quality health care			
3	Revising payment methods and monitoring quality of care in traditional Medicare49			
	Rethinking payment for post-acute care			
	Monitoring the quality of post-acute care			
	Refining payments for inpatient care in prospective payment system hospitals			
	Improving payment for physicians' services and care in hospital outpatient departments			
4	Updating payment rates in traditional Medicare97			
	MedPAC's general framework for updating payments			
	Applying the general framework to updating skilled nursing facility payments			
	Updating payments to physicians and ambulatory care facilities104			

5	Medicare+Choice: trends since the Balanced Budget Act115
	Barely moving toward congressional goals
	Why is it so hard to realize the Congress's goals?
	Addressing barriers to program goals through the Balanced Budget Refinement Act
	Will the Balanced Budget Refinement Act changes help achieve the Congress's goals for the Medicare+Choice program?
6	Improving payment for end-stage renal disease services
	Paying for ESRD care in the traditional Medicare program and in Medicare+Choice
	Payment update
	Access to and quality of dialysis care
App	pendix
Α	Impact of MedPAC's recommendations for reforming the disproportionate share hospital adjustment
Acre	onyms157
Terr	ms159
Mor	re about MedPAC
Con	nmission members165
Con	nmissioners' biographies167
Con	nmission staff173

Tables

1	Recent changes in the Medicare program	1
1-1	Inpatient hospital services	7
1-2	Outpatient services	9
1-3	Skilled nursing services and outpatient rehabilitation services	9
1-4	Home health services	.10
1-5	Physician services	.11
1-6	Medicare+Choice	.12
1-7	Other provisions directly affecting beneficiaries	.13
1-8	Change in Medicare growth rates by provider sector: before and after the Balanced Budget Act	.14
2	Medicare beneficiaries' access to quality health care	.19
2-1	Selected characteristics of noninstitutionalized traditional Medicare and Medicare+Choice enrollees, 1998	.24
2-2	Access to care for noninstitutionalized beneficiaries in traditional Medicare, by selected beneficiary characteristics, 1998	.29
2-3	Satisfaction with care for noninstitutionalized beneficiaries in traditional Medicare, by selected beneficiary characteristics, 1998	.31
2-4	Access to care for noninstitutionalized beneficiaries enrolled in Medicare+Choice, by selected beneficiary characteristics, 1998	33
2-5	Satisfaction with care for noninstitutionalized beneficiaries enrolled in Medicare+Choice, by selected beneficiary characteristics, 1998	.35
2-6	Percentage of Medicare beneficiaries' income spent on health care, 1992–1996	.38
2-7	Percentage of income spent on health care by low-income beneficiaries, 1992–1996	.40
2-8	Out-of-pocket spending on health care by category for all beneficiaries, 1992–1996, adjusted for inflation	.41
2-9	Distribution of 1995 and 1996 percentage of beneficiaries' income spent on health care, by level of 1994 percentage of income spent on health care	.42
2-10	Out-of-pocket spending on care provided in long-term care institutions, 1992-1996, adjusted for inflation	.42
2-11	Percentage of income spent on health care by beneficiaries with different coverage, 1992–1996	.43
2-12	Out-of-pocket spending on health care by beneficiaries with different coverage, 1992–1996, adjusted for inflation	.43
2-13	Income distribution of managed care enrollees and beneficiaries with Medigap who have access to managed care, 1996	.44

2-14	Previous year supplemental insurance for beneficiaries in traditional Medicare and first-year Medicare+Choice enrollees who were in traditional Medicare, noninstitutionalized population
2-15	Percentage of aggregate expenditures on various budget items, 199645
3	Revising payment methods and monitoring quality of care in traditional Medicare49
3-1	Home health users, average and median visits per user in 1994, 1997, and 1998
3-2	Dimensions, levels of severity, and items used for the home health case-mix system
3-3	RUG-III classification groups consistent with Medicare coverage criteria 60
3-4	Distribution of outpatient therapy users, payments, and average payments, by setting, 1996
3-5	Characteristics of selected patient assessment data sets
3-6	Change in total payments under combined payment for hospital operating and capital costs
3-7	Current policies and incremental case-mix refinement policy options75
3-8	Cases in DRG 14, by APR-DRG and severity class, 1997
3-9	Average standardized cost for cases in DRG 14, by APR-DRG and severity class, 1997
3-10	Average absolute differences in standardized cost from group means, DRG 14 and refined DRGs, 1997
3-11	Aggregate average percent change in payments compared with current policies for three case-mix refinement options
3-12	Estimated distribution of hospitals by percent change in payments compared with current policies under each policy option, for selected hospital groups
3-13	Diagnosis related groups selected for expansion of transfer payment policy, 1999
3-14	Impact of expanded transfer policy on Medicare prospective payment system payments, by diagnosis related group, 1999
3-15	Percentage change in total payments due to recommended disproportionate share hospital policy changes, by threshold level and public/private teaching status
3-16	Percentage change in total payments due to recommended disproportionate share policy changes, by threshold and urban/rural ownership
3-17	Average allowed charges for high-volume evaluation and management services, by level of visit, 199890
3-18	Change in evaluation and management service coding, by type of service, 1993–1998

4	Updating payment rates in traditional Medicare97
4-1	Components of MedPAC's general framework for updating payments 101
4-2	Expenditure shares for selected physicians' services provided in ambulatory care settings, by setting, 1994–1998
4-3	Expenditure shares for high-volume physicians' services provided in inpatient and ambulatory care settings, 1994–1998
4-4	Simulated effects of an expanded sustainable growth rate system113
5	Medicare+Choice: trends since the Balanced Budget Act115
5-1	Medicare+Choice contract terminations and service area reductions118
5-2	Beneficiaries with risk plans available, 1997–2000
5-3	Availability of plans with selected benefits, 1999–2000
6	Improving payment for end-stage renal disease services
6-1	Examples of separately billable laboratory tests and drugs
6-2	Calculating payments for patients with ESRD in Medicare+Choice 134
6-3	Medicare per capita monthly payment rate for ESRD demonstration enrollees in California, 2000
6-4	Productivity of dialysis facilities, by facility size, 1998
6-5	Trends in productivity for freestanding dialysis facilities, 1991–1998 138
6-6	Payment-to-cost ratios for composite rate payments for freestanding dialysis facilities, by dialysis modality and facility characteristics, 1991–1998
A	Impact of MedPAC's recommendations for reforming the hospital disproportionate share adjustment149
A-1	Percentage change in total payments due to recommended disproportionate share policy changes, by threshold and total margin quartile
A-2	Percentage change in total payments due to recommended disproportionate share policy changes, by threshold and hospital location
A-3	Percentage change in total payments due to recommended disproportionate share policy changes, by threshold and teaching status
A-4	Percentage change in total payments due to recommended disproportionate share policy changes, by threshold and proportion of Medicare and Medicaid patient shares
A-5	Selected payer cost shares by public/private teaching status
	Proportion of total Medicare costs by public/private teaching status 153

Figures

1	Recent changes in the Medicare program1
1-1	1997 view of Medicare growth
1-2	Hospital Insurance Trust Fund: 1996 projections
1-3	Hospital Insurance Trust Fund: 1999 projections
1-4	Aggregate Medicare spending, fiscal years 1992–2010
3	Revising payment methods and monitoring quality of care in traditional Medicare49
3-1	Percentage change in payments for option 1 and option 3, compared with current policies, by discharge volume, urban and rural hospitals78
3-2	Distribution of hospital inpatient evaluation and management services for subsequent care, by HCFA Common Procedure Coding System code, 1993–1998
4	Updating payment rates in traditional Medicare97
4-1	Distribution of codes for visits by new patients to physicians and outpatient departments, 1998
4-2	Distribution of codes for visits by established patients to physicians and outpatient departments, 1998
5	Medicare+Choice: trends since the Balanced Budget Act115
5-1	Medicare+Choice (risk) plan enrollment